



City Manager's Office
City of Frisco, Texas

Memorandum

To: Honorable Mayor Maso and City Council Members

Cc: George A. Purefoy, City Manager

From: Nell Lange, Assistant City Manager

Date: September 30, 2010

Agenda Caption: Discussion Concerning Increases to the Water and Sewer Rates

Action Requested: City Council review of the recommendation to increase the water and sewer rates.

Background Information: The adopted budget had a proposed water and sewer rate increase included in the revenue projections. As previously stated in the budget presentations, the rate increase is needed to maintain the financial stability of the fund.

The Water and Sewer Fund had a net loss for fiscal year 2008 and 2009. The working capital currently is \$8.6 million (it was \$19 million at the end of FY 2007). Additionally, the North Texas Municipal Water District (NTMWD) is increasing the cost per thousand gallons from \$1.25 to \$1.37 for water.

We are recommending an increase to the volume charge for water of twelve cents (\$0.12) per thousand gallons for usage between 2,000 and 15,000 gallons. The rate will increase from the current \$2.76 to \$2.88 per thousand gallons. The rate for usage between 15,001 and 25,000 is currently \$3.22 and is recommended to increase to \$3.34. The rate for the third tier of over 25,000 is recommended to increase from \$3.46 to \$3.58. As you can see from the attached schedules, this recommendation is very comparable to our surrounding cities.

The commercial rates are being adjusted in a like manner. The current rate is \$2.86 per thousand gallons. We recommend an increase to \$2.98 per thousand. The irrigation rates are also similarly being adjusted.

We recommend an increase to the sewer volume charge of thirty cents (\$0.30) per thousand gallons for usage over 2,000. The current rate is \$2.55 per thousand and is projected to increase to \$2.85 per thousand gallons (11.7%). We currently have winter averaging. We would like to move to a three year averaging, which is comparable to the Plano and Richardson method; however, our software will not currently support that feature. We are currently reviewing utility software and anticipate bringing forward a recommendation sometime in FY 2011.

The commercial sewer rates are being adjusted in a like manner. The current rate is the same as the residential rate except it has no averaging. So everything over 2,000 gallons is currently billed at \$2.55 per thousand gallons and proposed to increase to \$2.85.

The attached Tables (A & B) provide a comparison between the current rate and the proposed rates. Our current average residential usage is 13,000 gallons for water and we use 8,000 gallons for sewer for our comparison. The total projected increase in the monthly bill for the average user is \$3.09 or 4.2%.

Board Review/Citizen Input: The rate increase was discussed at each of the public hearings on the budget.

Alternatives: City Council could choose not to move forward at this time and provide staff direction.

Financial Considerations: The Water and Sewer Fund revised budget projects fiscal year 2010 to have a net increase of approximately \$600,000 in working capital. These rate adjustments are needed to ensure the fund's financial stability. We hope the proposed fee changes will provide enough increase in revenue to provide a net increase of approximately \$2 million in the working capital for FY11. To avoid two rate increases in one year, the new rates will not be effective until the January 2011 billing cycle.

Legal Review: We will bring the ordinance back at the next meeting.

Supporting Documents: Comparison information.

Staff Recommendation: Staff recommends moving forward with the rate increase recommendation. We did not put the ordinance on this agenda for action, as to provide some time for your review of the documents. If you have additional questions or concerns, please contact me at (972) 292-5110 or nlange@friscotexas.gov.